Manitoba

Annual Report
2000 - 2001

Manitoba Farm Mediation Board

Includes 10% post-consumer waste

102-00152/

Minister of Agriculture
and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To His Honour
Peter Liba
Lieutenant Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the Report of the Manitoba Farm Mediation Board for the period April 1, 2000 to March 31, 2001.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister

2001
International Year of Volunteers

Manitoba

Agriculture & Food

Manitoba Farm Mediation Board
816 – 401 York Avenue
Winnipeg MB R3C 0P8
Phone – (204) 945-0357
Fax – (204) 945-1489
E-mail – mfmb@gov.mb.ca

Honourable Rosann Wowchuk
Minister of Agriculture & Food
165 Legislative Building
Winnipeg, Manitoba, CANADA
R3C OV8

Dear Ms. Wowchuk:

In accordance with the provisions of the Family Farm Protection Act, I have the honour to forward to you The Annual Report of the Manitoba Farm Mediation Board for the fiscal year ending March 31, 2001.

Respectfully submitted,

Kenneth Caldwell
Chairperson
Manitoba Farm Mediation Board

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BOARD MEMBERSHIP

(as at March 31, 2001)

Name		Address
Kenneth Caldwell	Chairman	Rossburn
Bill Zettler	Vice-Chairman	Portage la Prairie
Don Dewar	Member	Dauphin
Gaylene Dutchyshen	Member	Grandview
Gerry Friesen	Member	Wawanesa
Wayne Jones	Member	Tilston
Owen McAuley	Member	McAuley
Glenn Young	Member	Cypress River

General Comments

The Manitoba farm economy continued to vary in 2000/2001 depending on the type of enterprise. Margins remained tight for the major grain and oilseed crops. Returns, however, were very good for hogs and beef cattle.

For most major grain and oilseed crops average production still did not cover average operating costs and provide any return to capital and management given present grain prices. Farmers continue to look for ways to scale back their crop production in favour of livestock enterprises and off farm income. To this end, the Board has stepped up its efforts to keep informed and to provide field personnel with information on new and existing opportunities particularly in the livestock sector.

The Board is working very closely with technical specialists from Manitoba Agriculture and Food to assist farmers wanting to diversify and/or convert some of their operations to more forage and/or livestock. The Board and staff continue to work with creditors and other industry specialists as well to develop viable options for farmers in financial difficulty.

OBJECTIVE

The Manitoba Farm Mediation Board (the Board) administers *The Family Farm Protection Act*, the objective of which is to aid farmers in protecting and sustaining their agricultural operations through difficult economic times.

THE FAMILY FARM PROTECTION ACT

The Family Farm Protection Act was assented to by the Manitoba Legislative Assembly on September 10, 1986.

Part 3 of the Act requires the courts to allow the Manitoba Farm Mediation Board ninety (90) days to mediate a settlement between a farmer and a creditor prior to ruling on leave to foreclose on farmland. Part 6 of the Act provides for voluntary mediation by the Board through a peer advisory committee.

The Act is a basis for facilitating improved communication between creditors and farm debtors, ensuring that individual farmers receive fair and consistent treatment. Through mediation, alternatives are explored to develop viable financial proposals to the mutual benefit of all concerned.

ACTIVITY

Through consultation and mediation with farmers and their creditors, the Board tries to assist farmers in sustaining and improving their financial situation during difficult financial times. The Board reviews individual cases, provides management recommendations, and tries to mediate arrangements which leave farmers with a viable plan.

The Board also provides loan and lease guarantees, if necessary, to assist with mediated settlements. The provision and annual renewal of a guarantee is based on a viable financial plan, and an agreement from the farmers to meet performance conditions including budgeting, record keeping, risk management and proactive financial planning. The Board annually reviews the farm's progress in efforts to ensure that the farm remains viable and that the performance conditions are met.

In 2001/02 the Manitoba Farm Mediation Board plans to continue to:

- receive and provide mediation services on Applications for Leave to Foreclose and on applications for a Peer Advisory Review,
- consider new guarantees of loan and lease payments and/or security, in order to facilitate completion of mediated settlements,
- review and consult on the financial progress of farmers that have existing guarantees, and to consider renewals of existing guarantees, and
- conduct regular meetings to consider the provision of guarantees and to improve upon the effectiveness and efficiency of the mediation process.

OPERATIONS

PART 3: APPLICATIONS FOR LEAVE

One of the Board's functions is to become involved in foreclosure proceedings. Under Part 3 of the Act, a lender who intends to foreclose on farmland must make application to the Court of Queen's Bench to obtain Leave to Foreclose. Copies of the application must be served upon the farmer and the Manitoba Farm Mediation Board within 30 days. The Board then has up to 90 days to analyze the case, conduct mediation with the farmer and lender in the pursuit of achieving an alternative to foreclosure, and to prepare a report for the Court.

PART 6: PEER ADVISORY PANELS

Under Part 6 of the Act, a farmer or a creditor may apply to the Board to have a Peer Advisory Panel review the financial arrangements between the farmer and any or all of the creditors of the farmer. The purpose is to derive a suitable financial plan or to arrange for payment to the creditors, without mediation having to be initiated by legal proceedings.

JOINT OPERATIONS WITH THE FARM DEBT MEDIATION SERVICE

In some cases, the creditor or the farmer has decided to make applications to both the Manitoba Farm Mediation Board and the federal Farm Debt Mediation Service. The two agencies have had a working relationship, in which applications made to both are processed at the same time. The Boards have shared the services of financial advisors and have held joint hearings, resulting in substantial cost and time savings.

APPLICATION ACTIVITIES

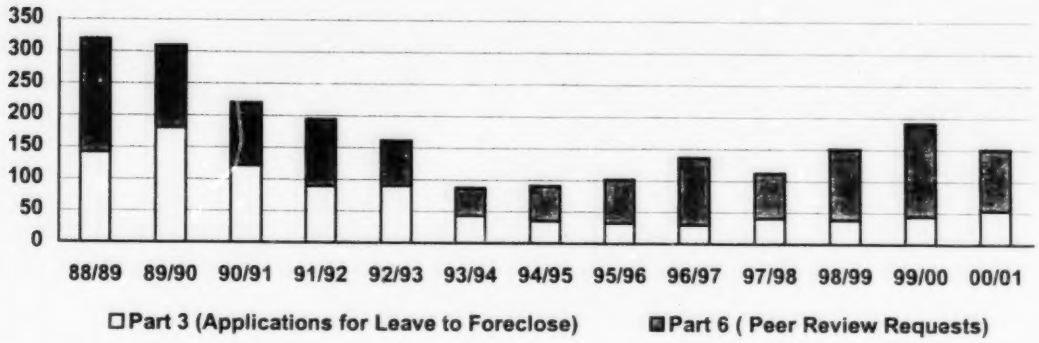
In 2000/01, the Board received 150 applications, representing 136 different farms. 135 of these farms were new cases to the Board, while the other one was already involved in mediation. Since its inception, the Board has received 2,559 applications representing approximately 1,879 farms.

Application levels decreased substantially from 1988/89 to 1993/94, but increased since then until 2000/01 (see Table 1 and Figure 1). Part 3 applications increased in number, however, while the number of Part 6 applications declined for the first time in three years.

TABLE 1 – Applications Received

	1988/ 1989	1989/ 1990	1990/ 1991	1991/ 1992	1992/ 1993	1993/ 1994	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001
Part 3	142	180	121	89	90	43	35	32	30	40	38	44	53
Part 6	177	129	99	105	71	44	56	69	106	72	112	147	97
Total	319	309	220	194	161	87	91	101	136	112	150	191	150

Figure 1 - Applications Received



Applications were received from all four agricultural regions of the province in 2000/01. There was a somewhat higher percentage from the Southwest and Northwest regions when compared to the long term average (see Table 2). Some of this increase can be attributed to flooding in the area in the spring of 1999, which led to a lack of inventory to cover basic operating requirements.

TABLE 2 – Location of Farms Involved in Mediation

Agricultural Region	------- 2000/01 ------- No.	% of Total	-- Total, 1988/89 - 2000/01 -- No.	% of Total
Central	22	16.2%	415	22.1%
Eastern/Interlake	23	16.9%	447	23.8%
Northwest	40	29.4%	412	21.9%
Southwest	51	37.5%	605	32.2%
Total	136		1,879	

MEDIATION ACTIVITIES

The Board measures the effectiveness of mediation by recording the results at the conclusion of each case. The case is closed when a settlement is achieved or when the panel chair determines that a settlement is not possible at that time. All applications received while a case is open are considered part of the same case, so a single case may have more than one application.

The settlements achieved through the mediation process continued to be reasonably high (83%) in 2000/01.

TABLE 3 - Case Activity

	1998/99	1999/00 [R]	2000/01
Carryover from previous year	46	97	78
New cases opened	134	177	137
Total for Mediation	180	274	215
Cases Completed	83	196	143
Mediation in Progress	97	78	72

[R] Revised from prior report

TABLE 4 – Settlements Achieved

	1998/99	1999/00 [R]	2000/01
Cases Completed	83	196	143
Mediation not required*	19	47	43
Mediated	64	149	100
Settlements achieved	50	115	83
	(78%)	(77%)	(83%)

* includes withdrawn and deferred applications.
[R] Revised from prior report

AGREEMENT REGISTRY

The Act requires the Board to maintain a registry for agreements made between farmers and their creditors without the participation of the Board. Agreements reached by the Board are kept on file and are not entered in the Agreement Registry. There have been 25 agreements registered since inception of the program. There was one new agreement registered in the Agreement Registry in 2000/01.

GUARANTEES (SPECIAL FARM ASSISTANCE FUND)

The Special Farm Assistance Fund, delivered through five programs, is designed to enable a farmer to obtain the necessary financing or lease to complete a debt settlement and continue farming. It provides a safety net to farmers who can demonstrate viability but may still be vulnerable to negative financial changes in the short term after debt settlement. These programs are provided on a guarantee basis and cover future shortfalls for up to four years.

Before a guarantee is provided, the Board attempts to ensure all factors are considered in devising a viable plan. Once a guarantee is in place, the Board annually reviews the farmer's progress, recommending adjustments when necessary and discusses major financial transactions with the farmer before these transactions are made. The annual reviews include a detailed financial analysis and assistance to the farmer to develop and maintain a financial management record system.

Repayment is only required if a farmer sells his farmland within 5 years of assistance being provided and is limited to the amount of equity in the land. This is secured by placing a caveat on the farmer's land.

The five programs are:

		Maximum Guarantee
Program 1	Guarantee of Loan Payment	$10,000 per year
Program 2	Guarantee of Lease Payments	$10,000 per year
Program 3	Guarantee of Security Value	$40,000
Program 1:3	Combination of Programs 1 & 3	$40,000
Program 4	Emergency operating assistance	$10,000

During the 2000/01 fiscal year, the Manitoba Farm Mediation Board approved guarantees for 10 farm clients for a total of $344,376 (see Table 4).

TABLE 4 - Guarantees Approved in 2000/01

Year Payment Due	Program 1	Program 2	Program 1:3	Program 3	Program 4	Total
2001/02	$78,806	$0	$0	$0	$0	$78,806
2002/03	$86,094	$0	$0	$0	$0	$86,094
2003/04	$86,094	$0	$0	$0	$0	$86,094
2004/05	$86.094	$0	$0	$0	$0	$86,094
2005/06	$7,288	$0	$0	$0	$0	$7,288
TOTAL	**$344,376**	**$0**	**$0**	**$0**	**$0**	**$344,376**
No. of Farmers	10	---	---	---	---	10

Annual Review of Guarantees

In 2000/01, 57 farms with a total of 59 guarantees were reviewed as required by the program guarantee guidelines. Of these, 47 farmers were able to meet their financial obligations without calling on the guarantee. The province was required to make partial or full payment on the guarantees for the other 10 farms during the year for a total of $72,509 (see Figure 2 and Table 5).

The Board did not receive any funds from the producers under the repayment terms of the guarantees in 2000/01.

TABLE 5 Guarantee Liability vs. Payments Made

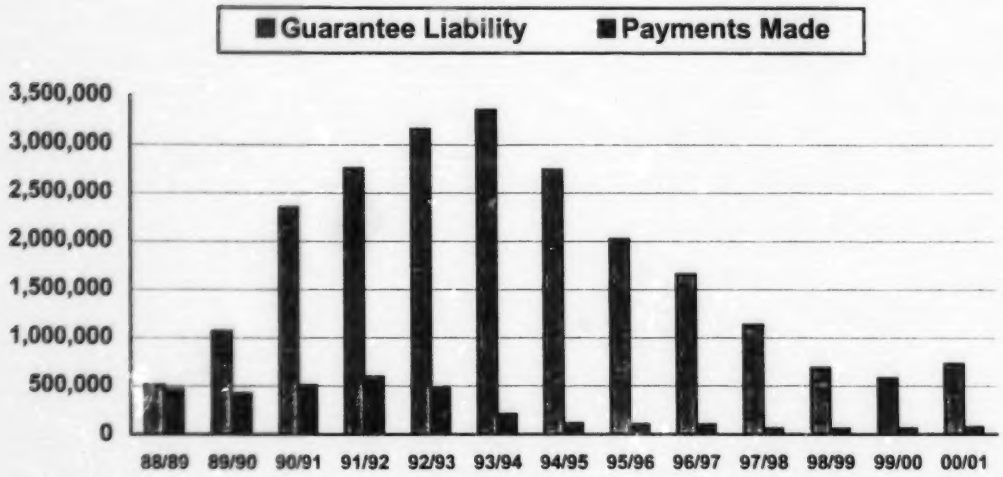
Year	Guarantee Liability	Payments Made*	% Paid
2000/01	$726,953	$72,509	10.0%
1999/00[R]	$581,153	$58,481	10.1%
1998/99	$686,182	$56,069	8.2%
1997/98	$1,134,274	$58,271	5.1%
1996/97	$1,657,006	$101,700	6.1%
1995/96	$2,020,137	$107,989	5.3%
1994/95	$2,741,245	$106,291	3.9%
1993/94	$3,354,264	$205,457	6.1%
1992/93	$3,159,969	$478,733	15.1%
1991/92	$2,754,254	$593,180	21.5%
1990/91	$2,350,385	$505,155	21.5%
1989/90	$1,064,666	$419,767	39.4%
1988/89	$511,036	$464,085	90.8%
1987/88	$50,578	NIL	
TOTAL**	**$11,787,490**	**$3,169,206**	**26.9%**

* Total payouts. Since 1987, the Board has also been repaid a total of $153,637 under provisions of the guarantee agreements.

** As some guarantees remain for several years, the total liability since inception of the Board is less than the sum of the liability for individual years.

[R] Revised from previous report.

FIGURE 2 Guarantee Liability/Payments Made



OPERATING EXPENSES

The Manitoba Farm Mediation Board's operating budget is, for the most part, used to cover the costs of mediation on applications and administration of the guarantee programs. A decrease in expenditures was experienced in 2000/01 as a result of a decrease in number of applications made for assistance.

FIGURE 3 Administrative Expenses